

[Your firm name and logo]

[Firm name]

[Firm address]

[Date]

To the [Board of Directors / Audit Committee] and management of [Entity legal name]

[Entity address]

Re: Audit of the financial statements for the year ending [year-end date]

Dear [Board chair name] and [CEO name],

Objective and scope (AU-C 210: objective, scope, framework)

You have asked us to audit the financial statements of [Entity legal name], which comprise the balance sheet as of [year-end date] and the related statements of operations, changes in [equity / net assets] and cash flows for the year then ended, and the related notes. Our objective is to obtain reasonable assurance about whether those statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion on whether they are presented fairly, in all material respects, in accordance with [accounting principles generally accepted in the United States of America / name of framework].

Our responsibilities (AU-C 210: auditor's responsibilities)

We will conduct the audit in accordance with auditing standards generally accepted in the United States of America [and Government Auditing Standards]. Those standards require us to exercise professional judgment and skepticism, identify and assess the risks of material misstatement, and design procedures that respond to those risks. We will consider internal control relevant to the audit in order to design our procedures, but not to express an opinion on its effectiveness. We will tell you in writing of any significant deficiencies or material weaknesses we identify, and we will evaluate whether there is substantial doubt about the entity's ability to continue as a going concern.

Limits of an audit (AU-C 210: inherent limitations)

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with generally accepted auditing standards. Our audit is not designed to detect misstatements that are immaterial to the financial statements.

Predecessor auditor (optional)

You authorize [Predecessor firm name] to respond fully to our inquiries about your prior audits and to let us review its audit documentation. If you limit that authorization, we will ask why and consider it before we accept this engagement.

Management's responsibilities (AU-C 210: preconditions)

Management acknowledges and understands that it is responsible for: (a) preparing and fairly presenting the financial statements in accordance with [framework], including all informative disclosures; (b) designing, implementing and maintaining internal control relevant to statements free from material misstatement, whether due to fraud or error; (c) preventing and detecting fraud, and telling us of any fraud or suspected fraud, and of any allegations, that it knows of; (d) identifying and complying with laws, regulations, contracts and grant agreements; and (e) giving us access to all records and information relevant to the statements, any additional information we request, and unrestricted access to the people from whom we need evidence.

Schedule A: records you will prepare

You will deliver the items in Schedule A, complete and reconciled to the general ledger, by the dates shown there, and no later than [number] business days before fieldwork begins on [fieldwork start date]. They include the year-end trial balance, bank statements and reconciliations, receivable and payable agings, inventory counts, the fixed asset rollforward, debt agreements and covenant calculations, leases, significant contracts and board minutes. Our target report date of [report date] assumes every item arrives on time. Late or incomplete items will move that date and may change our fee.

Written representations

At the end of fieldwork, management will sign a letter confirming the representations made to us during the audit. That letter will be dated as of the date of our report.

Nonattest services (optional)

We will also [draft the financial statements and notes / propose adjusting entries / prepare the federal and state tax returns]. These services do not form part of the audit. Management designates [name, title], who has suitable skill, knowledge and experience, to oversee them, and management will evaluate their adequacy and accept responsibility for their results.

Supplementary and other information (optional)

We will report on [the supplementary schedules] in relation to the financial statements as a whole. We will read [the annual report text] and consider whether it is materially inconsistent with the statements, but we will not audit it or express an opinion on it.

Our report (AU-C 210: expected form and content)

We expect to issue a written report containing an unmodified opinion. Circumstances may arise in which our report differs from that form and content, for example a modified opinion or an emphasis-of-matter paragraph. If we cannot complete the audit or form an opinion, we may decline to issue a report or withdraw from this engagement.

Single audit rider (optional)

Because [Entity legal name] expects to spend federal awards above the single audit threshold of 2 CFR 200.501, we will also perform a compliance audit of its major federal programs under 2 CFR Part 200, Subpart F. Management will prepare the schedule of expenditures of federal awards, the corrective action plan and the summary schedule of prior audit findings. Management will submit the data collection form and the reporting package to the Federal Audit Clearinghouse within 30 calendar days after receiving our reports, or nine months after the end of the audit period, whichever is earlier.

Audit documentation and use of our report

Our working papers are the property of [Firm name] and will be kept for [retention period]. Peer reviewers and regulators may access them under professional standards. You will not include our report, or refer to our firm, in an offering document, website or other publication without our prior written consent.

Fees and billing

Our fee estimate is [amount], based on records being ready on the Schedule A dates, no significant audit adjustments, and staff being available during fieldwork. Work caused by late items, restatements or added scope is billed at [hourly rates]. We will invoice [schedule]; invoices are payable within [number] days. We may stop work or withdraw if fees for earlier periods remain unpaid.

Indemnity and disputes (optional)

You agree to release and hold harmless [Firm name] and its personnel from any liability and costs resulting from knowing misrepresentations by management. Any dispute about our services will first go to non-binding mediation in [city, state] before either party starts other proceedings. This letter is governed by the laws of [state].

Later years

These terms will apply to the audits of later years until either of us changes them in writing. Each year we will tell you whether we propose revised terms or remind you that these terms still apply.

Acceptance

Please sign and return a copy of this letter to confirm that it sets out the terms of our audit engagement, including our respective responsibilities. We will begin planning once we receive it.

Very truly yours,

[Firm name]

[Engagement partner name], Partner

Signature: _____ Date: _____

Acknowledged and agreed on behalf of [Entity legal name]:

[CEO name], Chief Executive Officer Signature: _____ Date: _____

[CFO name], Chief Financial Officer Signature: _____ Date: _____

[Audit committee chair name], Audit Committee Chair Signature: _____ Date: _____